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SOCIAL ACCOUNTING IN INDIA

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ABSTRACT

Social accounting is a way by which a company attempts to quantify the influence of its operations on society. It is a systematic examination of the organization's effects on its shareholders, with stakeholder input included in the data that is analyzed for the accounting statement. It includes tools and instructions for gathering, analyzing, and monitoring financial, social, and environmental data. The concept of "social accounting" refers to how an organization interacts with its social environment. Many companies are now disclosing information on their social performance in order to show their shareholders and the general public that they are ethical and moral. This study examines what social accounting is, where it came from, and where it is now in terms of development, as well as some key social accounting methods used in Indian businesses.

Keywords: *Social Accounting, CSR, Cost Benefit Analysis, Social Accounting Matrix.*

Introduction

In recent years, there has been a surge in interest in a company's social duties, and the phrase "being a responsible corporate citizen" has already established itself as a fundamental value. The impact of the business sector on finance and employment demonstrates that the business sector's well-being is extremely important to society. The corporate sector no longer operates in a vacuum in today's world of economic progress. Like any other individual, the firm must behave and act as a responsible member of society. The essential requirement is for management to place a greater emphasis on accountability, not just to shareholders but also to society. The company's adoption of this concept of social responsibility must be represented in the information and disclosure it provides to various stakeholders such as shareholders, creditors, workers, and the community.

Objectives of the Study

The study has the following objectives:

- To discuss the conceptual aspects of social accounting.
- To identify the scope of social accounting.
- To examine how far the business have discharged their social responsibility.

History of Social Accounting

Social Accounting is required to assess social performance and social duties, as well as to assign a monetary value to the influence of a company's operations on society. The term "social accounting" refers to a company's social responsibility as well as standard corporate responsibility standards. Social and environmental accounting, corporate social responsibility reporting, non-financial reporting, and other terms have been used to describe it. Every business must prepare a social responsibility income and balance sheet. However, making these remarks is not required. The top countries where social responsibility statements are made with other financial statements are France, the United Kingdom, and the United States. In India, social accounting is not widely used, but some Indian companies, such as Tata Iron and Steel Company Ltd. (TISCO), Cement Corporation of India (CCI), and Indian Textile Corporation (ITC), are focusing on social responsibility and have begun to create social

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reports using the Abt Associate and David F. Linowes approach to calculate total cost and benefits for performing social responsibility. Adam Smith proposed the concept of social accounting in various forms in 1776, while Karl Marks and Engel later published their ideas on social costs in 1844. Pigou further elaborated on the difference between societal and private costs in 1920. The concept of social accounting was clearly established in the 1970s, and professional and academic accounting organisations thereafter gave it considerable consideration. When the Public Interest Research Group founded Social Audit Ltd in the early 1970s, it was the beginning of social accounting as a concept in the United Kingdom. This has resulted in a growing awareness of CSR as a measure of business success, with companies being judged not only on their financial performance, but also on their social and environmental effect. The profit and loss statement and the balance sheet, as well as other traditional measures of profitability and growth, are insufficient to disclose the degree of a company's contribution to the community in fulfilling its responsibilities to many aspects of society. It could take a few more years to establish appropriate approaches for quantifying social and community impact with a reasonable level of confidence and precision. In 1972, Abt Associates developed a framework that outlines how to create social statements for various social events that arise as a result of business activity. Laventhol and Horwath, a respected accounting company at the time, and the First National Bank of Minneapolis were two other early applicants (now U.S. Bancorp). Social accounting procedures, on the other hand, were rarely codified in law.

Social Costs

Externality is frequently present in the outcomes of an action. A negative externality occurs when an external impact results in a loss of welfare, whereas a positive externality results in an increase in welfare. One of the most fundamental characteristics of externality is that the associated costs, known as the social cost, should be borne by the agent who causes the externality. As a result, social costs encompass all of the activity's impacts, both direct and indirect effects claimed by the actor participating, as well as externalities paid by others . This suggests that social costs should be borne on externalities that are entirely and solely caused by commercial operations.

It is self-evident that businesses must suffer social costs after fulfilling their legal obligations to the government, which is well-equipped to administer and carry out social operations. This agreement is founded on environmental economic ideas known as the Polluter Pays Principles (PPP). Because it is difficult to link a specific loss of environmental value to a specific polluter, the PPP is not widely used. As a result, firms' social accounting activities are a form of externality mitigation.

Objectives and Scope of Social Accounting

The main goals of social accounting are to assist society by having businesses provide various services and keeping track of them. The following are some of them:

- Efficient use of natural resources: The primary goal of social accounting is to identify whether or not a corporation is properly utilizing its natural resources.
- Employee assistance: Determine whether the company can assist employees by offering educational opportunities for their children, offering free transportation, and offering decent working circumstances.
- Contribution to society: Industry pollutes the environment, which is extremely detrimental to society. As a result, it must determine whether the company can benefit society by planting trees, creating new parks in factory zones, and even developing new clinics.
- Customer service: In social accounting, this refers to the portion of a firm's advantages to society, such as if the company provides good quality goods at a reasonable price.
- Investor assistance: Determine whether the Company assists investors by providing honest accounting information, as many objectives are tied to natural resource preservation.

As it may be used for a wide range of social activities, social accounting has a broad reach. In the lack of a precise definition of corporate social responsibility by laws, each corporation must decide for themselves the nature and scope of their social duty. However, Brummet (1973) discovered five possible areas in which corporate social objectives can be established, and each area of contribution of corporate social activities can be monitored and reported, in order to facilitate corporate accountability.

- Net Income Contribution: The primary goal of every firm is to make money. The value of profit to the firm will not be diminished as the corporation's social actions become more prominent. Profit should be earned within the legal framework of "profit in a socially acceptable manner," according to the corporation.

- Human Resource Contribution: This metric indicates the impact of the organization on its human resources. Recruitment policies and procedures, training, experience building, work enrichment, pay and salary, employee-organizational alignment, job safety, and occupational health are all examples of organizational activities.
- Public Contribution: This metric measures the influence of an organization's operations on people outside the organization. The organizational operations include: General Philanthropy, General volunteer community activities, Training and employment of handicapped persons.
- Environmental Contribution: This metric measures the environmental impact of a company's operations.
- Product or Service Contribution: This section focuses on the organization's product or service's quality. It encompasses product utility, product durability, product safety, and serviceability, as well as the product's or service's welfare role. It also includes customer satisfaction, honesty in advertising their products etc.

Need for Social Accounting

Only a few public-sector firms use social accounting. In India, there is a rising need for social accounting for;

- The management complies with its social responsibilities and educates its members, the government, and the general public.
- The business must meet specific legal duties, such as social security duties and welfare measures, among others. Through social accounting, the management informs the public and the government about its efforts in this area.
- Management receives feedback on its efforts and policies aimed at improving society's well-being.
- From the standpoint of public interest groups, social organizations, investors, and government entities, social accounting is also required.
- The corporation demonstrates that it is not socially unjust in light of moral, cultural, and environmental degradation through social accounting.

Social Accounting in India

The Sachan Committee in its report in 1978 recognised the need for social disclosures. For India, the notion was very new and has failed to find traction. Tata Iron Steel was the first company in India to conduct social accounting with the sole purpose of examining and reporting on how well the company has met its social and community goals. India could be the first country in the world to make corporate social responsibility mandatory. The way has been paved for the Companies Bill, 2011, to be reintroduced in the monsoon session. If the law is passed once the Parliamentary Standing Committee on Finance endorses all of the recommendations, corporate social responsibility (CSR) will become mandatory for the first time in the world in any country. The parliament voted in August 2012 to make CSR mandatory. According to the statement, enterprises having a net worth of more than Rs. 500 crore or an annual revenue of more than Rs. 1,000 crore should devote 2% of their three-year average net income to CSR. The CSR element was voluntary in the proposed Firms Bill of 2009, yet it was mandatory for companies to disclose their CSR spending to shareholders. It was also advised that at least one female member of a company's board of directors be included. (Times of India, 16 October 2012) Organizations are increasingly realizing that providing funding to support causes begun by non-profits is insufficient, and that when employees volunteer for a cause, it is a win-win situation for both the organization and the individual, as it improves managerial skill and increases profit.

- **Tata Group**

In India, the Tata Group conducts a number of CSR projects, the majority of which are community betterment programs. It is a leading provider of maternal and child health care, family planning, and 98 percent vaccination in Jamshedpur, for example. Sports as a way of life is also promoted by the company. It offers a football academy, an archery academy, and encourages staff to participate in sports. With projects like rural health development, it provides healthcare services all over the country. In 2011 Coca-Cola Enterprises, CSM, Findus Group, Firmenich, Nokia, The Body Shop, Unilever etc. were among the short-listed finalists for this award for Corporate Social Responsibility. In the event of a natural disaster, the Tata Group has a well-organized relief program in place, which includes long-term treatment and reconstruction operations. During the Gujarat earthquakes and the Orissa floods, it performed admirably. It is also a supporter of education, with over 500 schools, as well as the arts and culture. It has put in a lot of effort to improve the environment and the lives of the people who live in the areas where its industries are located.

- **Aptech**

Since its foundation, Aptech, a major education company with a global reach, has played a broad and continuing role in fostering and supporting education throughout the country. Aptech has a long history of participating in community events as a worldwide player with complete solutions-providing capabilities. It has offered computers to schools, education to the poor, and training and awareness camps in collaboration with renowned NGOs.

- **Infosys**

Infosys is actively involved in a number of community development initiatives. The Infosys Foundation was established in 1996 as a not-for-profit trust to which the firm gives up to 1% of its annual income after taxes. Furthermore, the Infosys Education and Research Department collaborates on community development programs with staff volunteers. Infosys' management team continues to lead by example in terms of corporate citizenship, actively participating in key national organisations. They have taken steps to help the Infosys Foundation in the fields of research and education, community service, rural outreach projects, employment, healthcare for the poor, education, arts and culture, and welfare.

- **Mahindra & Mahindra**

The K. C. Mahindra Education Trust was created in 1953 at Mahindra & Mahindra with the goal of supporting education. Its mission is to improve people's lives in India by providing education and financial aid to individuals of all ages and income levels. The K. C. Mahindra Education Trust is involved in a number of educational initiatives that benefit deserving pupils.

- **Reliance Industries Limited**

RIL's contributions to the community are in the areas of health, education, infrastructure development (drinking water, improving village infrastructure, building schools, etc.), environment (effluent treatment, tree planting, hazardous waste treatment), relief and assistance in the event of a natural disaster, and other miscellaneous activities such as contribution to other social development organizations. RIL is a key supporter of the government's drive to improve girls' education. RIL's Dahej Manufacturing Division in Gujarat has provided financial help to girl children in the state under the scheme "Kanya Kelavani." To provide complete health services, RIL has established Community Medical Centres near most of its manufacturing divisions. Project Drishti, a unique joint project of RIL and the National Association of the Blind, has provided free corneal transplant procedures to visually impaired Indians from the impoverished section of society. Reliance also runs a number of programs and provides social services.

Conclusion

When social ideals and expectations sparked a debate about the role of business in society in the 1960s, the notion of social accounting was born. This argument centered on the nature of corporate social responsibility and the viability of discharging this commitment through a social accounting technique. In India and internationally, social accounting has become an essential component of good management. Most businesses are attempting to earn consumer loyalty through community development programs, excellent corporate governance, and involving internal and external stakeholders. As a result, it is critical that managers at all levels understand the breadth and content of social accounting in order to contribute value-added to the company's brand image and reputation.

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